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### If You Had A Blank Investment Slate

We're going to put ourselves in your shoes today. Through two examples, we'll present some simple but effective financial planning techniques. Janet is 30 years old with plans for a young family and John is 55 years old with plans to retire in 5-10 years. Neither has a clue about how to best position themselves for a good present and an equally good or better future. What do they do?

Let's turn to our favorite Oracle, Sir James of Pursley.

Sir James, how should our Janet (the 30 year old) and John (the 55 year old) approach the problem of building present and future quality lifestyles, with respect to finance?

As old hat as it may sound, both Janet and John should first think broadly about life now and in the future by setting some general but measurable goals. The goal setting should begin by setting out the range of activities, responsibilities and possibilities they want to perform and maintain. Next, they should specify an income level they'll need to support their lifestyle as they imagine it. The goals derived from this exercise will guide the next set of activities –getting more specific about how to achieve them.

What is the next step?

Put a dollar value on each significant item. For example, Janet might decide to buy a house costing $150,000 within the next five years, work half time (her husband is a Project Engineer in the North Dakota gas fields), have two children (what is their cost?) and retire at age 70 from her job as a life coach with an income of $60,000 annually (all in today's dollars). John will need to formulate some goals using a similar process that Janet used.

How do Janet and John integrate the individual goals into a plan for action?

Some "black box" work needs to be done on a financial calculator to express the goals in similar terms (such as the inflated value when the goals "mature"). Once the future value of each goal is computed, it remains only to use the financial calculator again to compute how much they need to set aside per month, quarter or some other periodicity to achieve the goals.

What else should they be thinking of and doing?

They'll need to think of risks they might face which could ruin their progress toward their goals. For example, they might look at risks involving house fires, home accidents, auto accidents, and illness, inability of either or both of them to work for an extended period, etc. They should transfer the risks to insurance, accept the risks, prevent them or some combination of the three. Then they will need to do the all-important work of allocating their income and any savings they have to their goals in a prudent manner which fits their needs and their risk tolerances. In short, they will need to set up an investment policy.

Can people do all of this work themselves?

Surely. But most either don't or won't. Most people need an advisor or a coach to help them complete the steps outlined above.

Thank you, Sir James. May our readers contact you if they have questions?

Yes, of course.

We hope this dialog was informative. Thank you for investing with us.

Jim Pursley

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